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TAGS: [ECON](#) [EINV](#) [ETRD](#) [TU](#)  
SUBJECT: U.S.-TURKEY RENEWS CALL FOR ECONOMIC COOPERATION

11. (SBU) Summary: The February 8 and 9 U.S.-Turkey EPC meetings resulted in an invigorated bilateral economic dialogue and a plan for cooperation in the coming year. The EPC began in Istanbul with a series of meetings with the U.S. and Turkish private sectors that provided a first-hand account of the realities of doing business. Government-to-government meetings on February 9 focused on regional cooperation, especially in the areas of energy and trade, and called for strengthened private sector cooperation to enhance trade and investment and knowledge exchanges between U.S. and Turkish scientists. The delegations welcomed the constructive spirit of the meetings and the reinvigoration of economic dialogue, with an emphasis on identifying and following through on opportunities for cooperation. The action plan that resulted from the meeting and the contact group established to oversee this agenda will ensure follow-through on these issues during the coming year. End Summary.

EPC Meetings Feb. 8 - 9  
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12. (SBU) The third Turkey-U.S. Economic Partnership Commission (EPC) met in Istanbul and Ankara on February 8 and 9. The meetings fell within the framework established by the July 5, 2006 "Shared Vision and Structured Dialogue to Advance the Turkish-American Strategic Partnership." The U.S. delegation was led by EEB A/S Daniel Sullivan, and included representatives of the Departments of Commerce, Energy, Treasury, and USTDA. The Turkish delegation was led by MFA U/S Ertegrul Apakan and included representatives of the Turkish Ministries of Finance, Industry and Commerce, Energy and Natural Resources, Health, Culture and Tourism, Agriculture and Rural Affairs, and Environment and Forestry, the State Planning Organization, Undersecretariats for Treasury, Foreign Trade and Customs, the Central Bank, the SMEs Research and Development Project, the Energy Market Regulatory Authority, the Privatization Administration, Turkish Petroleum Inc., the Turkish Scientific and Technological Research Council, EXIM Bank, the Banking Regulatory and Supervisory Agency, and Turkish Airlines. Representatives of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the U.S. Chamber of Commerce observed the meetings.

Private Sector Meetings Inform the Discussions  
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13. (SBU) On February 8, members of the delegations met with representatives of the U.S. and Turkish business communities in Turkey in a "Business Forum" hosted by TOBB and Turkey's Foreign

Economic Relations Board (DEIK) in Istanbul (septel). The meetings were kicked off by a press conference to launch a new guide book for Turkish companies seeking to do business in the United States published jointly by Turkey's national business federation, TOBB, and the U.S. Chamber of Commerce, and supported by USAID. At a lunch organized by DEIK and TOBB, A/S Sullivan and MFA Energy Coordinator Mithat Balkan gave speeches in which they described a markedly similar outlook on regional energy security and cooperation. Following lunch, DEIK hosted a "Business Forum" during which the two government delegations listened to ideas and suggestions from the business community about how to increase flows of trade, investment and technology between the U.S. and Turkey and ways to foster commercial and economic cooperation in third countries. The Turkish American Business Forum (ABFT) also hosted a meeting with the U.S. delegation. U.S. companies noted progress in Turkey's business climate (including IPR protection), but highlighted the need for continued reforms and transparency for Turkey to remain a competitive destination for U.S. companies. The delegations agreed that the Business Forum should be a regular adjunct to future EPC meetings.

#### Macroeconomic Stability Key to Opportunities

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14. (SBU) Meeting in Ankara on February 9, the two delegations discussed how the strong and solidly-based economic growth and prosperity of the U.S. and Turkey is creating new opportunities for economic, commercial, scientific and technological exchanges and cooperation. Ministry of Finance Department Head Halit Ocal and Treasury Department Head Ozgur Demirkol reviewed how Turkey's successful implementation of economic reforms is promoting stable and self-sustaining growth and expanding prosperity. U.S. Treasury representative Karen Mathiasen discussed trends in the global

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economy, the strong performance of the United States economy, and their implications for U.S.-Turkey economic relations.

#### Energy Security Large Component of Discussions

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15. (SBU) Both delegations expressed their countries' commitment to improving the security and diversity of global energy supplies and the important global and regional roles both Turkey and the U.S. play in energy security. MFA DDG for Energy Affairs, Vural Altay, presented a summary of Turkey's energy policy as:

- Meeting domestic energy demand;
- Diversifying its energy mix and sources;
- Serving as an energy carrier - transit country;
- Serving as an energy hub; and
- Becoming a "4th artery" for Europe's gas supply.

EUR DAS Matt Bryza noted the strength of U.S.-Turkey strategic energy partnership, evidenced by the success of the BTC pipeline. He stated that the USG aimed to support Turkey's strategic aspirations and stressed the importance of proper sequencing to take the next steps to create a southern gas corridor to Europe. SCA PDAS Stephen Mann called for cooperation to advance Trans-Caspian Pipelines for gas and oil. As had been discussed at the luncheon the day before, the delegations agreed that the next concrete step was for Turkey to establish a transparent regime for transiting natural gas that will be accepted by investors, consumers and producers.

16. (SBU) DOE representative Lana Ekimoff emphasized the USG's desire to cooperate on clean coal technology, energy efficiency, and nuclear power options. Ambassador Wilson cited continued U.S. company interest in the 1999 protocol for hydroelectric projects and stated that the U.S. is working towards ratifying the Peaceful Uses of Nuclear Energy Agreement. Finally, representatives from the Turkish Ministry of Energy called for greater greenfield investment in the energy sector and advancing cooperation under existing energy cooperation agreements.

#### S&T Important For Innovative Economy

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¶7. (SBU) The delegations explored new opportunities for expanding exchanges of scientific and technological knowledge and research between Turkey and the U.S. They agreed that the bilateral S and T agreement should be renewed as soon as possible. U/S Apakan emphasized Turkey's desire to cooperate on R and D, noting that our Strategic Vision document referenced this point. EEB Jefferson Scholar Michael Mauel discussed the possibilities for creating scientist exchange programs where U.S. scientists could come to Turkey and meet with their peers. Mauel also participated in an MFA-arranged visit to the technology park at Middle East Technical University.

#### Trade & Investment - Getting Past the Problems

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¶8. (SBU) Examining trends in trade and investment, the delegations noted that there have been significant increases in bilateral trade and direct investment, but that these flows fall short of their potential. They agreed that part of this potential could be met through expanding awareness in the private sector of opportunities in the fast-growing markets in both countries. Cooperation among small-and medium-sized enterprises offers a particular opportunity for expanding commercial ties and cooperation, including in the agricultural sector. Kristal Alley of the U.S. Chamber of Commerce described a number of private sector initiatives targeting private partnerships both in Turkey and to promote business development in Central Asia (Eurasian Business Platform). The delegations noted results of past cooperation between the U.S. Chamber and TOBB (such as the recently published "Guidebook to Doing Business in the U.S.") and looked forward to additional cooperation between TOBB and the U.S. Chamber.

¶9. (SBU) In addition to the discussion on strengthening cooperation in the private sector, representatives from the Turkish Foreign Trade Undersecretariat (FTU) and Ministry of Agriculture exchanged views with their U.S. counterparts on some of the market access issues faced by U.S. and Turkish companies. DOC DAS Paul Dyck

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mentioned some of the market access issues facing U.S. companies, including IPR issues and problems faced by U.S. companies in the distilled spirits industry. Foreign Trade DDG Hasan Yalcin mentioned the WTO rice case and past proposals to create Qualified Industrial Zones (QIZs) in Turkey, which he said were not attractive to Turkey unless they include textiles. A/S Sullivan noted that QIZs would require legislation, a particular challenge in this legislative year. The delegations agreed to look at ways to move beyond QIZs perhaps by focusing on ways to promote U.S.-Turkish cooperation in the area of engineering contracting and major construction/infrastructure projects both in Turkey and in the region. They noted that TOBB's experience in developing the Erez Industrial Estate in Gaza could be an initial focus. A/S Sullivan suggested that discussion of Joint Production Opportunities in Iraq, Afghanistan, Lebanon and Gaza could be a useful adjunct to the upcoming American Turkish Council (ATC) meeting. Ambassador Wilson noted that strong participation by the business community would be essential.

#### Press Coverage Positive

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¶10. (SBU) Press coverage from the events in Ankara and Istanbul included stories in the major print media and full coverage of Ambassador's interview on the margins of the February 8 private-sector meetings. The press took note of the positive spirit of the meetings and the support communicated by the delegations for increased economic cooperation. The Chairman of TOBB, Rifat Hisarciklioglu, gave a newspaper interview in which he stated that he was pleased overall with the subjects raised during the meetings and his interest in continuing TOBB's partnership with the U.S. Chamber.

Positive Spirit Reawakens  
Hibernating Economic Cooperation

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¶11. (SBU) Comment: The lively discussions and exchange of ideas resulted in a list of action items to be coordinated by the two sides prior to the next EPC meeting in 2008 (to be sent septel). The tone of the meetings was constructive and positive, with a focus on cooperation and improved trade and investment versus the laundry list of unresolved commercial disputes discussed in past EPCs. As an important part of the EPC, cooperation on energy security was emphasized and the U.S. delegation reassured Turkish officials of our support for their plans in the region. In short, this EPC did what it set out to do: restart a stagnant dialogue and expand the bilateral relationship beyond the defense and political realms. The two delegations agreed to meet again during 2008 in the U.S. and to set up a working group comprised of two members from each delegation to periodically communicate on the status of the action plan agenda.  
End comment.

¶12. (SBU) This message was cleared by A/S Dan Sullivan.

WILSON